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FARMERS' NEWSLETTER

Feed



September 78/F-6

Feed grain prices have remained fairly steady in recent weeks in spite of prospects for a record supply during 1978/79.

A careful assessment now of your marketing alternatives--and perhaps a blend of sales strategies--should improve your chances of earning top dollar.

How you choose to market your crop will depend, in part, on such things as:

- Your production costs.
- How urgently you need cash to meet immediate financial obligations at harvest.
- The storage and conditioning facilities available for grains on your farm.
- Your access to commercial storage and its costs.
- How well the transportation system in your area handles this season's harvest.
- Your eligibility for price support loans and the grain reserve.
- Your flexibility in producing livestock.

Each of your three basic options--marketing at harvest, storing, and feeding--carries its own risks, costs, and payoff, so you need to weigh each one carefully.

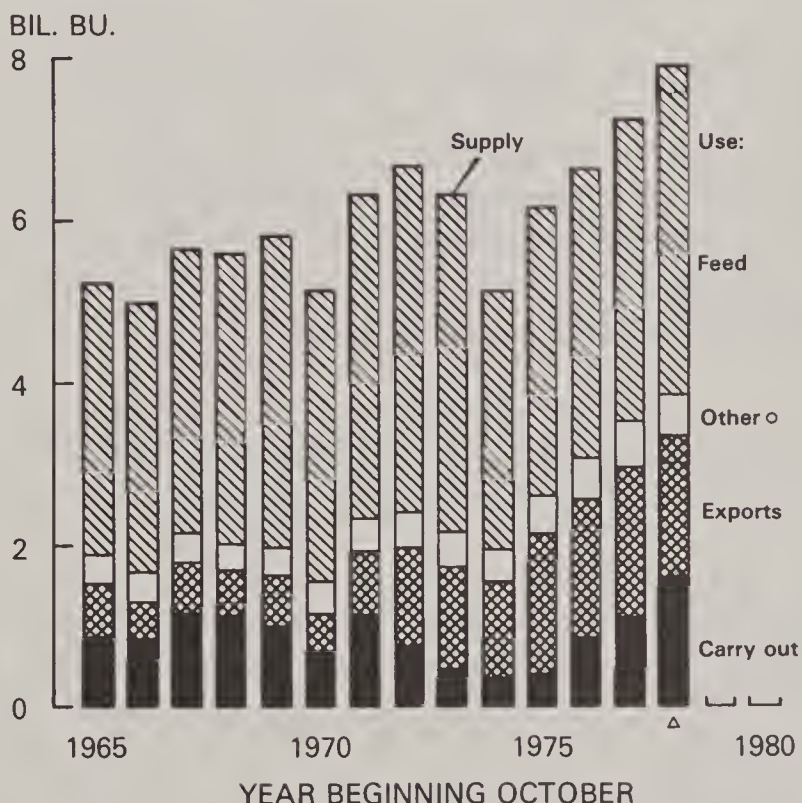
Big Crops Plus Big Carryovers Add Up To Record Supply

Barring weather problems during harvest, feed grain supplies (production plus carryover) in 1978/79 should be the biggest ever.

The September 1 forecast of the corn crop was 6.8 billion bushels, give or take about 5 percent. Farmers produced a record 6.4 billion last year.

The forecast for total feed grain production was a record 209 million metric tons, plus or minus 3 percent

CORN SUPPLY AND UTILIZATION



△ FIGURES FOR 1978/79 ARE ESTIMATES AND FORECASTS AS OF MID-SEPTEMBER. SEE SUPPLY AND DEMAND TABLE.
○ INCLUDES CORN USED FOR FOOD, SEED, AND INDUSTRY.

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(8 million tons.) Meanwhile, about 40 million tons of feed grains will be carried over into 1978/79.

These large stocks plus the 1978 crops will bring the total supply for 1978/79 within a range of 241 to 257 million metric tons. By comparison, last year's feed grain supply was a record 232 million tons.

**Use Prospects: Strong,
But Still Less Than Production**

If corn prices average near the loan level in 1978/79, use by livestock may be anywhere from slightly above to as much as a tenth higher than in 1977/78, mainly because of continued strong livestock and poultry feeding margins. If prices turn out higher, look for an increase in feed use on the lower end of the range.

An increase in feeding larger than 10 percent is unlikely, in light of the smaller supply of feeder cattle and the moderate increase in fall farrowing intentions.

Meanwhile, around 52 million metric tons, give or take about 5 million, may be shipped abroad. This would make exports second only to the 55 million tons expected for 1977/78.

FEED GRAIN SUPPLY AND DEMAND

	1977/78 ¹	1978/79	
		Projected	Range ²
	Million metric tons		
Beginning stocks	29.9	40.4	
Production	201.8	208.7	±8
Imports	0.3	0.3	
Supply, total	232.0	249.4	
Feed	117.6	125.9	±7
Food, seed, and			
industrial uses	18.8	19.4	
Domestic use	136.4	145.3	±7
Exports	55.2	52.3	±5
Use, total	191.6	197.6	±10
Ending stocks	40.4	51.8	±9

¹ Estimated. ² Chances are about 2 out of 3 that the outcome will fall within the indicated ranges.

Some easing in export demand is in prospect since most countries around the globe have generally favorable grain crop prospects.

World coarse grain production this year could climb some from last year's 694 million metric tons. However, overseas expansion in livestock and poultry production should allow large sales of U.S. grain to foreign buyers.

In all, use of U.S. feed grains in 1978/79 could mount to around 200 million metric tons, give or take about 10 million. But even so, early odds clearly point to another increase in the carryover next year.

Global stocks will be building, too, with U.S. grains contributing the lion's share of the increase.

What's the Outlook for Prices?

Add up these demand factors:

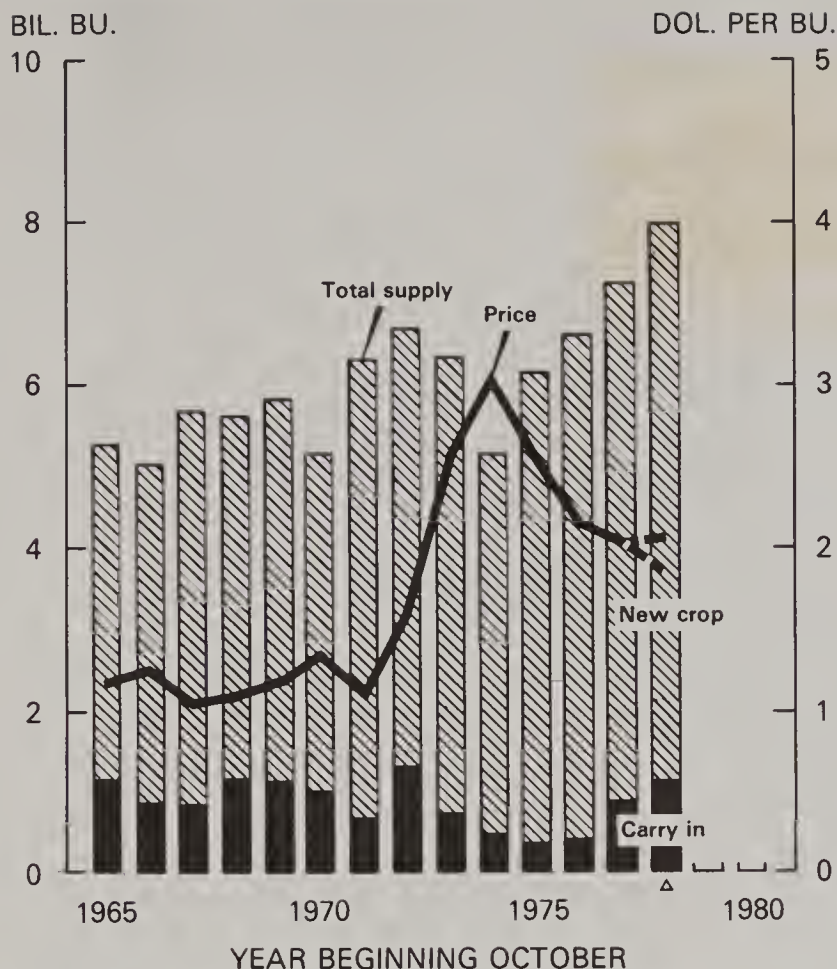
- A pickup in livestock and poultry feeding.
- Strong (though not record) exports.
- The price support loan program.
- The farmer-owned reserve.

Balance these against expected larger supplies,

And you should see, on a season-average basis, these farm-level prices nationally:

- Corn, \$1.85 to \$2.05 a bushel, versus about \$2.00 estimated for 1977/78.
- Sorghum, \$1.75 to \$1.95, compared with \$1.73.
- Barley, \$1.70 to \$1.90, compared with \$1.80.
- Oats, \$1.00 to \$1.10, versus \$1.14.

CORN SUPPLY AND PRICE



△ FIGURES FOR 1978/79 ARE ESTIMATES AND FORECASTS AS OF MID-SEPTEMBER. SEE SUPPLY AND DEMAND TABLE.

Grain prices generally are at their low for the year during harvest and strengthen afterwards.

The drop in corn prices at harvest last year was very sharp, since much old-crop corn was sold to make room for the new crop.

This year's seasonal drop might be almost as steep because only about two-fifths of U.S. farmers are eligible for loans on 1978 feed grain crops. Also, storage facilities are likely to be inadequate to handle the crops in some areas.

After harvest, projected U.S. ending stocks of between 43 and 61 million tons are large enough to keep season-average prices in the vicinity of national-average loan rates.

The post-harvest price outlook could be altered, of course, by changes in the outlook for U.S. and world crops and U.S. government programs.

Three Important Price-Influencing Factors To Watch

- The final outcome of the U.S. corn crop.
- Provisions of the 1979 feed grain program, which may be announced before the November 15 deadline.
- The size of the Soviet grain crop, which likely will be announced by the USSR in early November.

Currently USDA is projecting the Soviet crop will range between 210 and 230 million metric tons. Last year's harvest was 196 million; the record of 224 million was set in 1976.

However, recent reports of a sharp increase in grain-consuming animal units suggest the Soviet Union could still be a big grain buyer in world markets.

What You Can Do To Get Top Returns for 1978 Crops

First things first, if you still have 1977-feed grain crops to market, you basically have two choices--sell or store.

Selling at recent prices might not look too good, but it nevertheless may be your best alternative if your area is tight on storage.

If storage is available, either on your farm or at an elevator, you might want to make use of the farmer-owned reserve.

Any 1977 feed grains under loan are eligible for the reserve. In addition, any 1977 corn or sorghum, under loan or not, can be put in the reserve until September 29. Your local ASCS office can provide you with details.

You have one further alternative for 1977-crop corn still under loan. As of September 15, this grain can be turned over to the CCC before the loan matures.

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Turning to 1978 crops, prices at the peak of harvest are traditionally about the lowest of the marketing year. Consequently, this is not usually the most opportune selling time.

However, many farmers can't store their whole crop and must sell some grain at harvest. If you need to sell grain out of the combine, you might consider contracting ahead of harvest.

Of course, cash prices in your area will depend on the local transportation and storage situation, as well as on supply-demand factors in the national market.

If the large crop materializes, storage facilities in some places will be taxed pretty heavily. However, prices normally recover some after the turn of the new year. Thus, storage could pay this year, depending on the situation in your area.

If you complied with the set-aside requirements of the feed grain program, you can put the stored portion of your 1978 crops under loan.

And if it appears that the government's goal of 670 million bushels of feed grains (including 500-575 million bushels of corn) in the farmer-owned

reserve will not be met from 1977 crops, you will be permitted to enter at least some 1978-crop corn and sorghum in the reserve beginning October 1. You will get storage payments for crops in the reserve.

Livestock Feeding: Another Option

Marketing your grain through livestock might be another way for you to improve your returns, but figure closely how your expected costs and returns from cash sales or storage stack up against likely costs and returns from feeding.

Hogs may be your safest feeding bet for the coming year, particularly if you're farrow-to-finish. Even though an increase in pork production is in the offing, smaller beef supplies should contribute to strong demand for pork. Prices may slip some from current levels, but are expected to stay above \$40 into 1979.

Profits from cattle feeding are considerably more iffy since your returns will depend heavily on what you pay for feeder cattle--and right now feeder prices are high. So despite the favorable outlook for fed cattle prices next year, profit margins likely will be thin--or even negative--if you overpay for feeder animals.